

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 PA-01 PRS-01 USIA-06 EB-07

TRSE-00 IGA-02 CIAE-00 INR-07 NSAE-00 SS-15 SP-02

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 1525

C O N F I D E N T I A L SANTIAGO 9340

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: CHILE; FINANCE MINISTER CAUAS ON U.S. ASSISTANCE

1. SUMMARY: GOC FINANCE MINISTER DEPRECATES U.S. AID. END SUMMARY.

2. WE GATHER THAT PRESS CONFERENCE GIVEN BY GOC FINANCE MINISTER JORGE CAUAS IN WASHINGTON SEPTEMBER 22 WENT LARGELY UNNOTICED IN CLAMOR FOLLOWING THE KILLING OF ORLANDO LETELIER. CAUAS WAS, HOWEVER FRONTPAGED HERE BY SEPTEMBER 23 EL MERCURIO.

3. AS QUOTED BY UPI, CAUAS SAID THAT HIS GOVERNMENT WOULD NOT BE IN THE LEAST CONCERNED IF IT WERE NOT TO RECEIVE ECONOMIC ASSISTANCE FROM THE UNITES STATES. QUOTE: U.S. ECONOMIC AID IS NOT SO IMPORTANT AS TO WORRY US UNQUOTE, CAUAS STATED. QUOTE: IT AMOUNTS TO ABOUT \$100 MILLION. AFTER THREE YEARS OF ECONOMIC DIFFICULTIES, WE ARE NOT IN POSITION TO MEET OUR OBLIGATIONS ON OUR FOREIGN DEBT UNQUOTE.

4. ANOTHER REPORT, BY EFE, HIGHLIGHTS CAUAS' STATEMENT THAT THE ECONOMIC RECOVERY OF CHILE IS PRINCIPALLY DUE TO ITS OWN EFFORTS.

5. COMMENT: THE FOREGOING IS A LINE USED PUBLICLY HERE BY THE CHILEAN GOVERNMENT, AND PRIVATELY WITH US BY CAUAS, IN REACTION TO THE SLINGS AND ARROWS THEY HAVE SUFFERED AT THE HANDS OF THE
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AMERICAN CONGRESS, MOST RECENTLY IN THE SECURITY ASSISTANCE ACT.

THE GOC HAS OBVIOUSLY BEEN ASKING ITSELF WHETHER THE HARASSMENT IT HAS HAD TO TAKE FROM CONGRESS IS JUSTIFIED BY THE ECONOMIC BENEFITS IT NOW GETS FROM THE U.S. THE DEPARTMENT WILL RECALL THAT THIS PARALLELS THE ATTITUDE CAUAS TOOK SOME MONTHS AGO, WHEN HE SAID THAT IF POLITICAL CONDITIONS WERE RAISED WHEN ANOTHER PROJECTED LOAN TO CHILE CAME BEFORE THE IBRD EXECUTIVE BOARD, HE WOULD NOT PRESS FOR SUCH A LOAN.

6. WE ARE STRUCK BY THE POLITICAL GAUCHERIE OF A PUBLIC STATEMENT OF THE KIND MADE BY CAUAS IN WASHINGTON AS THIS PARTICULAR MOMENT. WE WONDER IF CAUAS COULD HAVE MADE IT ENTIERELY ON HIS OWN INITIATIVE. AS THE GOC'S PRINCIPAL ECONOMIC COORDINATOR, HE MORE THAN ANYONE ELSE SHOULD REALIZE WHAT U.S. ECONOMIC ASSISTANCE, DIRECT AND INDIRECT, HAS MEANT TO THE JUNTA SINCE ITS DIFFICULT EARLY DAYS. WE CALCULATE THAT SINCE THE MILITARY TAKEOVER OF 1973 THE U.S. HAS TRANSFERRED SOME \$280 MILLION IN RESOURCES TO CHILE, OF WHICH ROUGHLY \$180 MILLION WAS PRIMARILY BALANCE OF PAYMENTS ASSISTANCE (P.L. 480 TITLE I AND HIG).

7. MOREOVER, CAUAS CAN HARDLY HAVE FORGOTTEN THAT WITHOUT STRONG U.S. SUPPORT THE PARIS CLUB DEBT RESCHEDULING EXERCISES OF 1974 AND 1975 WOULD IN ALL PROBABILITY HAVE FAILED. NOR CAN HE HAVE NEGLECTED TO RECALL THAT, UNTIL CONGRESS IMPOSED A POLITICAL SANCTION WITH RESPECT TO THE INTER-AMERICAN DEVELOPMENT BANK, THE U.S. INVARIABLY SUPPORTED THE GRANTING OF INTERNATIONAL FINANCIAL INSTITUTION LOANS TO CHILE ON A STRICTLY ECONOMIC BASIS.

8. IN OUR RECENT MEETINGS WITH CAUAS, WE HAVE REFUSED TO REACT TO QUESTIONS AS TO THE VALUE OF U.S. AID TO CHILE, RESTRICTING OURSELVES EXCLUSIVELY TO THE NEGOTIATING PROBLEM AT HAND. WE RECOGNIZE THAT THE APPROACH STEMS FROM THE FRUSTRATION AND EXASPERATION OF GOC OFFICIALS. BUT IF THEY CONTINUE TO PURSUE IT, IT MUST SOONER OR LATER RESULT IN JEOPARDIZING SUCH DIRECT AND INDIRECT AID AS WE STILL EXTEND TO THE GOC.

9. IF CAUAS HAS NOT YET LEFT WASHINGTON, SUGGEST DEPARTMENT DISCUSS FOREGOING WITH HIM.
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Margaret P. Grafeld
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